



# LFC Newsletter

A publication of the

**Legislative Finance Committee**

Representative Luciano "Lucky" Varela, Chairman  
Senator John Arthur Smith, Vice Chairman  
David Abbey, Director

Volume 14 Issue 11

May 2014

## *From the Chairman*

### **No Magic Bullet**

Some pundits are convinced the best – and maybe only – thing government should do for business is lower taxes. That's all New Mexico needs – they argue – for business to thrive and the economy to prosper.

Obviously, it's not that simple. Business owners also care about quality of life: museums and parks, cultural events, clean air and water, good schools, and medical care. It all matters.

However, what matters most, according to the *2014 Area Development Magazine* and numerous other sources, is the availability of skilled labor. In the magazine's survey of corporations and business site selectors, both groups listed skilled labor as the most important factor in choosing a site for a new or relocating business.

In addition, national data show that job growth is strongest for careers that require postsecondary degrees – whether it's a trade certificate, associates degree, bachelors, or something more.

Clearly, New Mexico, which has lagged the country in the economic recovery, needs to invest in workforce development if it wants to catch up. Indeed, if New Mexico wants to prosper in the global economy, it needs to get serious about preparing New Mexicans beyond high school for those jobs that will need workers.

It was a promising sign when the governor earlier this year mentioned career and technical education in her State of the State address, putting her among 20 governors who did so. It is also promising that through a program called WorkKeys, the Workforce Solutions Department is developing the soft skills of a strong work ethic.

Less promising was the limited attention workforce development received in the new five-year economic development plan.

That report is the subject of a committee hearing at 10:30 on May 8. LFC staff are also working on an evaluation of adult basic education, a system charged with ensuring basic literacy and math skills among adults.

Workforce development needs to become a priority, not just for the Legislature but also for the executive. We already know we are not producing enough health-care workers to meet demand or enough workers with degrees in general.

No matter what we do about our tax or regulatory environments, business will not grow in New Mexico without skilled workers. We need to make sure we have them.

*Representative Luciano "Lucky" Varela  
Chairman*

## **Prisons Short on Budget, Long on Capacity**

The Corrections Department is expecting to end FY14 about \$4 million short because it failed to ask for enough money and had unexpected inmate population growth, department managers say.

However, LFC analysis shows the department has space for more inmates and recently spent \$8.2 million on a sex offender unit in a private prison in Otero County. It also has shifted a larger share of the prison population to private prisons, where the cost increases with every additional inmate.

Corrections Secretary Gregg Marcantel and his staff said in testimony before the committee in April that the department asked for a \$2.3 million increase for FY14 even though projected need was \$5.4 million.

The inadequate revenue combined with the prison expansion left the department's budget about \$4.5 million below actual need, corrections officials said.

The department also assumed it would collect \$4 million in fines from private prison operators that did not materialize, LFC analysis shows. Also, the department has increased the share of inmates housed in private prisons from 46 percent to 49 percent.

While the cost per inmate is lower in private prisons, primarily because the lower-risk inmates housed in private

prisons cost less to incarcerate, it is possible those inmates would be less expensive in public prisons as well.

In addition, private prisons charge the department per inmate so each additional inmate costs the same. The cost per-inmate in a public prison drops as more prisoners are added because of economies of scale.

The state's prison system has capacity for 7,542 inmates, 680 more than the prison population LFC documents show.

More than 80 percent of the Corrections Department's \$292.6 million budget is spent on incarceration, while about 11 percent is spent on programs to keep prisoners from coming back and community services.

LFC analysis shows the department continues to spend money on some recidivism reduction programs without any evidence they are effective in keeping prisoners from returning to prison.

The governor vetoed language in the budget that would have prioritized additional funding for proven programs, like inmate education and drug courts.

The department also has 290 inmates serving parole in prisons at a cost of more than \$10 million, much higher than the cost of parole outside of the prison. The department must cancel 12 percent of parole hearings because the inmate's parole packet is incomplete.

## **NM Elderly Among Most Needy**

New Mexico's elderly are among the most needy in the nation – ranking second for hunger – but the system that serves them is inefficient and lacks oversight, an LFC report says.

The evaluation of the "aging network," scheduled for a committee hearing at 8 a.m. on May 9, notes state spending on elderly services has increased 12 percent over the last three years, even though the number of clients served has increased less than 5 percent.

New Mexico spends a greater share of state dollars on elderly services than most states in the region and does little to compel local governments to contribute, even though federal and state dollars are supposed to act as seed money to attract local support, the report says.

The state distributes federal funds to area agencies on aging through a formula based on the percentage of elderly in the area without concern for the specific needs in the area. The state distributes state funds based on prior funding levels. While no more than 10 percent of the federal funds can be spent on administration, the state places no restrictions on how much state money can be spent on administration.

About 30 percent of retired New Mexicans rely solely on social security payments, which average \$11,560 a year for women and \$15,387 for men. The federal poverty level is \$11,670.

A quarter of elderly New Mexicans live with incomes below 150 percent of the federal poverty level, or \$17,500 a year.

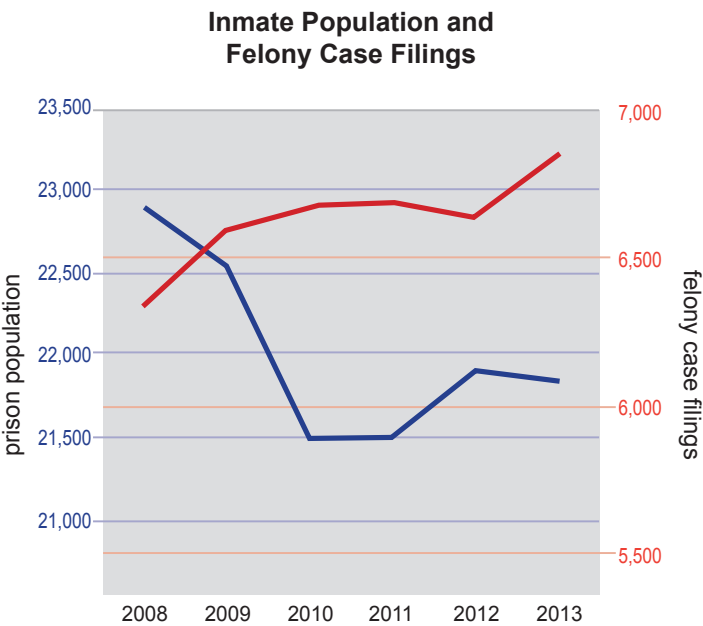
# Inmate Population Grows Despite Drop in Cases

While the number of felony case filings in New Mexico has generally dropped since 2008, the state prison inmate population has generally increased.

The figures do not reflect the number of felony convictions – those sentenced to time for a felony crime serve that time in a state prison and not a county jail – but suggest the prison population is growing for reasons other than new convictions.

Those reasons likely include the practice of having offenders serve parole time in the prison because of a lack of services in the community, the use of incarceration for offenders who would be better served with alternative sentences, and parolees returned to the prison for technical violations.

About half of all prisoners will be back in prison within five years of their release because of new crimes. LFC evaluations have found the state could likely lower that number by investing in recidivism reduction programs that are known to work.



## LFC Newsletter

Volume 14 Issue 11

Published monthly in the interim by the Legislative Finance Committee.

Writer, Editor - Helen Gaussoin    Staff Editor - Rachel S. Gudgel

Questions, comments: 505-986-4550

[www.nmlegis.gov/lfc](http://www.nmlegis.gov/lfc)

Please contact Sharon Boylan at [sharon.boyland@nmlegis.gov](mailto:sharon.boyland@nmlegis.gov) if you would prefer to receive this newsletter electronically.

## On the Table

### Rains Contribute to State Fair Loss

State Fair officials expect an operating loss for FY14, in large part due to heavy rain during the 2013 fair. To increase revenue, the fair will bring back some paid parking for the 2014 event. The fair is also working on selling tickets in advance, which would help stem losses from rain or other unexpected events.

### SHARE Faster, More Stable, Still Behind

While still several software versions behind, the completed transition of SHARE to new hardware means the statewide financial and human resources system is now more stable and up to 70 percent faster with disaster recovery. The Department of Information Technology is working on a plan to upgrade the system software over four to six months.

### State Fined for Prison Rape Inaction

New Mexico faces a \$117,000 fine for failing to certify to the U.S. Department of Justice that all state prison facilities will be in compliance with national standards to prevent, detect and respond to prison rape by May 15.

### Sole Source Contractor not Only Source

The Corrections Department intends to spend \$105,000 with Cellsense for cell phone detectors without seeking bids on the grounds Cellsense is the only source. However, a cursory Internet search shows at least four other companies also make cell phone detectors.

### Los Lunas Program To Pay Fraud Unit

The Los Lunas Community Program for clients with developmental disabilities has agreed to pay the Attorney General's Medicaid Fraud Control Unit almost a half million dollars. The fraud unit alleges the community program failed to properly document employment and day services from July 2007 to August 2010, raising questions about whether services were actually provided. The program agreed to pay \$446,000 but continues to deny the allegations.

### Transitions

Greg Geisler, LFC analyst, has left the committee staff to become the administrative services director for the Cultural Affairs Department. Michael Weinberg, LFC evaluator, is leaving LFC to work for a foundation working on early childhood issues.

D.L. Sanders, long-time general counsel for the Office of the State Engineer, will retire at the end of May.

Jeremy Averella, formerly Fort Bayard Medical Center administrator, has accepted a position as Department of Health chief facilities officer. He will serve in both positions until the department finds a new administrator for the Fort Bayard facility.

Al Lama has retired from the Office of the Attorney General. He recently received the public lawyer of the year award.

Legislative Finance Committee  
325 Don Gaspar Street Ste101  
Santa Fe NM 87501